



## SELECTED ACTS AFFECTING MANUFACTURING, TECHNICAL SCHOOLS, AND TRANSPORTATION

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### QUESTION

What public acts passed in the last three legislative sessions (2012-2014) affect technical schools and transportation as they relate to manufacturing? Also, what major acts passed in the past three legislative sessions affect manufacturers?

### SUMMARY

This report provides highlights of selected laws passed in the past three legislative sessions affecting manufacturing. It also provides highlights of laws that affect technical schools and transportation as they relate to manufacturing. In each summary, we indicate the public act (PA) number.

Not all provisions of the acts are included. Complete summaries of all public acts are available on OLR's webpage: <http://www.cga.ct.gov/olr/olrpasums.asp>.

### ACTS AFFECTING MANUFACTURING AND TECHNICAL SCHOOLS

#### ***Plan for Manufacturing Career Readiness and Apprenticeship Training***

A 2014 special act requires the technical high school system to create a plan to use technical high schools' manufacturing centers after school and on weekends to provide (1) career readiness training to high school students, higher education students, and adults seeking to reenter the workforce and (2) manufacturing apprenticeship training. The technical high school system must work with the state departments of labor and education, the Board of Regents for Higher Education, and industry and business representatives in designing this plan. It must do so by January 1, 2015.

The plan design must consider, among other things, incorporating online manufacturing training, technical training needed to improve workforce readiness for emerging regional, state, and national industries, and early college task force recommendations for expanding the manufacturing technology program at Asnuntuck Community College to other locations ([HB 5434](#), as amended, effective July 1, 2014).

## **ACTS AFFECTING MANUFACTURING AND TRANSPORTATION**

We did not find any recent public acts that specifically address transportation as it relates to manufacturing. However, the [Connecticut State Rail Plan 2012-2016](#), which is produced in compliance with the federal Passenger Rail Investment and Improvement Act of 2008, identifies goals and strategies for improving and expanding Connecticut's rail system to, among other things, better support Connecticut's manufacturing sector. The plan states that "one goal of the state is to support ways in which freight can move seamlessly from truck to rail and rail to truck to use the most cost efficient, fuel efficient, and environmentally efficient way of moving freight to and from Connecticut industries." The plan notes that changes in the manufacturing industry, such as an increased dispersal of manufacturers across the state and a shift to "just-in-time" delivery, have changed how private freight rail companies offer transport services to manufacturers. Despite these changes, the plan suggests that freight rail companies can use warehousing and bulk transfer strategies to continue to offer manufacturers competitive services.

Connecticut has also recently made investments in freight rail infrastructure. In May 2013, Governor Malloy [announced](#) an \$8 million investment to modernize the state's freight rail system, stating that "improving our freight rail infrastructure is a critical component of strengthening Connecticut's economy." The Central New England Railroad, New England Central Railroad, Naugatuck Railroad, and Providence and Worcester Railroad received funding to repair and upgrade rail lines, beds, crossings, culverts, and other related facilities. In addition to improving the transit system and reducing air pollution, the governor noted that these improvements would help sustain 425 jobs in Connecticut. Railroad companies that operate the lines also invested their own funds in these projects. These investments were also intended to better connect freight rail to Connecticut's deep water ports, thereby supporting the manufacturing industry by making it easier to transport goods in and out of Connecticut.

In the 2014 session, the legislature passed two bills to invest in and improve Connecticut's transportation system. The 2014 bond authorization act increases by \$10 million, from \$7.5 million to \$17.5 million, the existing bond authorization for

the Department of Transportation's (DOT) commercial rail freight line competitive grant program. It also expands the range of eligible projects for which the DOT commissioner must give preference to include those (1) furthering DOT's Connecticut State Rail Plan goals and objectives and (2) increasing the capacity of the state's freight rail infrastructure ([PA 14-98, § 502](#), effective July 1, 2014).

The legislature also passed an act to create (1) the Connecticut Port Authority as a quasi-public agency to coordinate development of and market state ports, and (2) a port authority working group to prepare and submit recommendations to the Department of Economic and Community Development (DECD) ([HB 5189](#), effective October 1, 2015).

## **OTHER MAJOR ACTS AFFECTING MANUFACTURING**

### ***Tax Credits and Exemptions***

***Connecticut Aerospace Reinvestment Act.*** Under a new law, large manufacturers with unclaimed research and development tax credits qualify for tax refunds, tax offsets, or other compensation if they spend at least \$100 million over five years on projects constructing or expanding facilities, purchasing machines and equipment, researching and developing new products and techniques, or hiring and training. Manufacturers must submit proposed projects to DECD for certification. The amount a manufacturer spends on a project is one factor DECD uses to determine the amount of compensation it receives ([PA 14-2](#), effective May 8, 2014).

***Manufacturing Reinvestment Account.*** Another new law expands the tax break for eligible manufacturers that establish a Manufacturing Reinvestment Account (MRA) by exempting from corporation and personal income taxes 100%, rather than 50%, of any withdrawal from an MRA that is used for qualifying purposes. It also (1) reduces, from 100 to 50, the number of manufacturers that can participate in the MRA program and (2) increases, from 50 to 150, the maximum number of employees a manufacturer may have eligible for the program.

The MRA program is designed to help small manufacturers fund capital investments and train their workers. Under the program, an approved Connecticut manufacturer may establish an MRA in a Connecticut bank and deposit up to \$100,000 annually for up to five years ([PA 14-69](#), effective July 1, 2014, and applicable to income and taxable years starting on or after January 1, 2014).

**Urban and Industrial Site Reinvestment Credit.** This new law increases the total amount of business tax credits available under the Urban and Industrial Site Reinvestment Program (UISR) from \$650 million to \$800 million.

UISR credits are available to any type of business investing in a project that will generate enough sales, personal income, and other tax revenue to recover the lost business tax revenue. Specifically, the credits are available for (1) remediating and developing contaminated property in the state and (2) developing property for a wide range of business uses in distressed municipalities, targeted investment communities, or municipalities with populations exceeding 100,000. The state may approve up to \$100 million in tax credits per project, and the credits are claimed over a 10-year period according to a statutory schedule. The tax credits apply to insurance premium, corporation, air carrier, railroad company, community antenna, utility company, and other specified business taxes ([PA 14-98, § 44](#), effective July 1, 2014).

**Manufacturing Apprenticeship Tax Credit.** The 2014 budget implementer act extends apprenticeship tax credits for manufacturing trades to “pass-through entities” such as S corporations, limited liability companies, limited liability partnerships, and limited partnerships. By law, pass-through entities do not pay corporation income taxes; rather, (1) their owners, shareholders, and partners pay personal income taxes on their share of the income the business generates and (2) the entities pay the business entity tax. Under prior law, these tax credits were already available to C corporations, which pay corporation income taxes. The act allows pass-through entities to transfer the credits, in whole or in part, to one or more taxpayers. The credits may be transferred up to three times ([HB 5597, § 251](#), effective July 1, 2015).

In 2013, the legislature increased the credit for hiring manufacturing trade apprentices, from \$4 to \$6 per hour and raised the annual cap on the amount of credits businesses can claim per apprentice, from \$4,800 or 50% of the actual apprentice wages, whichever is less, to \$7,500 or 50% of such wages, whichever is less ([PA 13-265](#), effective July 1, 2015 and applicable to income years beginning on or after January 1, 2015).

**Aircraft Industry Joint Venture Sales Tax Exemption.** In 2012, the legislature allowed more types of aircraft industry joint ventures to qualify for the sales tax exemption for joint ventures and extended, from 30 to 40 years, the time period during which they can claim it ([PA 12-1, § 124](#), June Special Session, effective July 1, 2012 and applicable to sales occurring on or after that date).

## ***Financial and Technical Assistance***

***Connecticut Manufacturing Innovation Fund.*** A new law creates the Connecticut Manufacturing Innovation Fund to provide manufacturers and researchers in aerospace, medical devices, and other targeted industries' supply chains with financing to, among other things, expand facilities, develop products, and match research grants. It establishes an 11-member advisory board to oversee the fund and requires DECD to administer the fund. It also authorizes up to \$30 million in general obligation bonds for the fund in order to provide grants, loans, and investments to eligible businesses or nonprofits ([PA 14-98, §§ 47-49](#), effective upon passage [the bill passed the House and Senate, but needs to be signed by the governor]).

***Bioscience Innovation Fund.*** A 2013 law established the Connecticut Bioscience Innovation Fund to finance a wide range of commercially-viable bioscience projects that will create jobs while lowering health care costs and improving the delivery of health care services. It capitalized the fund by authorizing up to \$200 million in GO bonds over 10 years and allows the proceeds to be granted, loaned, or invested in projects proposed by start-up or early stage businesses, colleges and universities, and nonprofit organizations ([PA 13-239, §§ 70-73](#), effective July 1, 2013).

***Small Business Innovation Assistance Program.*** In 2012, the legislature passed a law that required UConn, in concert with the Connecticut Center for Advanced Technologies, to establish and run a program helping small manufacturers (i.e., 100 or fewer employees) develop innovative manufacturing technologies ([PA 12-1, § 146](#), June Special Session, effective July 1, 2012).

### ***Subsidized Training and Employment Program (STEP)***

Under the STEP program, the Department of Labor (DOL) provides grants to small businesses to help offset the cost of hiring people who were previously unemployed. STEP features two types of hiring incentives: (1) a wage subsidy, which helps pay a new employee's salary (up to \$12,000) for the first six months of employment and (2) a training grant that provides employers up to \$12,500 over a 180-day period to train a new employee.

***Program Expansions.*** The legislature opened STEP to retailers and more small businesses and manufacturers and made many other programmatic and administrative changes ([PA 12-1, §§ 202-203](#), June Special Session, effective upon passage).

The legislature also created a separate STEP program for businesses hiring unemployed Iraq and Afghanistan war veterans and authorized up to \$10 million in bonds for it. The program is modeled after the original STEP, but is open to businesses of all sizes that have been registered to do business in Connecticut or other states for at least 12 months ([PA 12-1, § 204](#), June Special Session, effective upon passage).

***STEP New Apprentice Program.*** A new law creates a “new apprentice” grant program under the STEP to provide grants for small businesses and manufacturers to hire high school and college students ([PA 14-38, § 3](#), effective July 1, 2014).

### ***Commission on Connecticut’s Future***

To determine how possible defense cuts, program cancelations, and sequestered funds, together with new disruptive technologies could change the way we live and work, the legislature reactivated a dormant economic development advisory commission representing a cross section of the business, labor, and academic communities; revamped its membership; and broadened its charge. Among other things, the renamed Commission on Connecticut’s Future must determine how to:

1. diversify the state’s defense businesses or help them switch to making consumer products and
2. ensure that the state’s colleges and universities are preparing students for jobs in the manufacturing sector ([PA 13-19](#), effective May 28, 2013).

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